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S E C R E T SECTION 01 OF 02 CONAKRY 000470

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TAGS: [EMIN](#) [ECON](#) [EINV](#) [ENRG](#) [EPET](#) [ETRD](#) [PREL](#) [PGOV](#) [GV](#)
SUBJECT: CHINESE INVESTMENT DEAL MAY WEAKEN INTERNATIONAL
DONOR EFFORTS

REF: A. CONAKRY 00406
[1B.](#) CONAKRY 00436

Classified By: ECONOFF BRIANA WARNER FOR REASONS 1.4 (B) AND (D)

[11.](#) (S) Summary: Embassy has confirmed the formation of a holding company between the Chinese International Fund (CIF) and the Guinean Ministry of Mines (MOM). Allegedly, the company is intended to facilitate project finance deals and open opportunities for Chinese investment in Guinea's natural resource sector. Sources have also confirmed that China Sonangol, in connection with the CIF, is setting up a joint GOG owned oil company. With significant Chinese investment, the CNDD may be hoping to find a way to support their budget, possibly prolonging their stay in power while lining their own pockets. The World Bank Country Manager expressed his fear that if this deal goes through, the CNDD's newfound financial solvency might encourage the junta to stay in power, while telling the international community to "get lost." END SUMMARY.

BACKGROUND

[12.](#) (SBU) Based in Hong Kong, the CIF was set up as the construction arm of Beiya International Development LTD, a parent company of China Angola Oil Stock Holding Company. According to its website, CIF invested nearly \$2.9 billion USD in Angola's infrastructure development, including public housing and road construction, as well as diamond and oil infrastructure development. They have also recently extended their investments to other resource-rich countries in Africa and South America. Constantly embroiled in corruption scandals, the CIF seems to have been the subject of much negative press in Angola, but has faced no litigation to date.

[13.](#) (SBU) China Sonangol International Holding LTD (China Sonangol) is a joint venture between Sonangol, Angola's national oil company (30%), and Beiya International Development Ltd. (70%). Specializing in petroleum exploration and production, but also holding significant investments in national airlines and public infrastructure projects, China Sonangol owns several oil concessions off the coast of Angola, and is in the process of acquiring several others in Africa and South America. CIF and Sonangol are owned by the same parent company and often work together.

[14.](#) (C) In mid-June, the CNDD issued a communique detailing an alleged \$2.2 billion USD investment in Guinea's infrastructure by CIF (reftel). During a meeting with EconOff, the head of the commercial section at the Chinese Embassy, Liu Qi, denied the credibility of the communique, claiming that legitimate Chinese economic players had little interest in investing in Guinea's unstable economy. He also

said reports that CIF would invest in large-scale infrastructure transportation and energy projects were not plausible, given Guinea's current political and economic situation.

OIL FOR DEVELOPMENT

¶ 15. (C) New reports indicate that the scope of Chinese investment goes far beyond what Qi mentioned. According to several sources and an official agreement signed by the Chinese International Fund, the fund managers plan to put stock in several long-term project-finance opportunities. Provisionally named the Societe Sino-Guineenne de Development SA, the newly established joint holding company will be managed by the GOG (25%) and the CIF (75%).

¶ 16. (C) The agreement between the two parties outlines "opportunities for possible projects" where the CIF can invest. As in Angola, the CIF proposed investments in housing, mining, transportation infrastructure, agriculture, fishing, electricity, water, and oil. Several Guinean sources in the mining community told EconOff that the actual proposed investment was concentrated in the mining and oil sectors, totaling around \$78 million USD, with the other \$2 billion proposed as possible future investment.

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¶ 17. (C) Another alleged stipulation of the agreement is that the CIF, in connection with China Sonangol and the GOG, would form a jointly owned oil company to explore, exploit, and refine Guinea's possible off-shore reserves. The National Director of Mines and Energy, Siddiqui Conde, confirmed the formation of the company. He also confirmed that the GOG started a committee to dramatically revise oil and mining legislation. According to Conde, as well as several news outlets, the GOG hopes to revise the codes to "encourage investment in Guinea's natural resource sector," and to make contracts "more beneficial" to the GOG. Conde told Econoff that the new legislation was not connected to the new influx of Chinese investment.

¶ 18. (C) In a conversation with A/DCM and Econoff, World Bank Country Manager Siaka Bakayoko indicated that the CIF deal could represent a pivotal development in the CNDD's evolution - the difference between solvency and bankruptcy. According to Bakayoko, such a large investment deal could undercut international donor efforts to push the CNDD toward elections. The government, he said, will "sell the country short on mining revenues and tell the international donors to get lost."

¶ 19. (C) Bouna Keita, a businessman with close ties to Dadis and the CNDD, told Econoff that the Chinese Investors are capitalizing on the transition. He mentioned that the GOG received several commercial inquiries from Chinese companies in the oil and mining sector since the coup. According to Keita, "we don't like Chinese investors. We would prefer to have American investment, but the Chinese are the only ones investing - so we take their money."

COMMENT

¶ 19. (C) This new partnership may explain a recent rise in Chinese commercial activity, including a helicopter

reportedly gifted from China Sonangol to CNDD President Mussa Dadis Camara, and recent news stories covering Chinese acquisition of a 31,000 sq. mile offshore oil concession. The revision of investment codes may make it easier for the GOG to push existing firms out and give Chinese firms the spoils.

¶10. (C) CIF and China Sonangol appear capable of infusing a large amount of capital into the Guinean economy, particularly in the domains of oil and mining. Their involvement in Angola, however, seems to be littered with accusations of bribery and wide-scale corruption. At the moment, the CNDD finds themselves in a precarious financial position. With constantly decreasing commodity prices as well as a virtual cessation of all international aid, the GOG budget is weak and unsustainable. The new investment may supply a monetary lifeline to the CNDD's empty coffers, possibly providing budgetary stability they would otherwise lack.

¶11. (C) Recent Chinese efforts to gain favor with the CNDD may suggest that Chinese investors believe the CNDD will remain in power for the long-term. At the same time, international investor interest does seem to be on the rise. Embassy has noted a marked increase in interest from US investors since the coup as well, although not of the same scale.

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